



Report of the Director of Environments and Neighbourhoods

Report to Executive Board

Date: 7th September 2011

Subject: Proposal to lease and sell miscellaneous Council properties to Unipol Student Homes.

Are specific electoral Wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, name(s) of Ward(s): Beeston & Holbeck; Burmantofts and Richmond Hill; Chapel Allerton; City & Hunslet; Gipton & Harehills; Headingley; Hyde Park & Woodhouse; Kirkstall; Moortown; Weetwood.		
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, Access to Information Procedure Rule number: 10.4 (2) and (3)		
Appendix number: 1 & 2		

Summary of main issues

1. This report sets out a proposal for Unipol Student Homes (Unipol) to lease 73 council properties and purchase 15 of these properties from the Council over a 4 year period. The first of these has been declared operationally surplus for a one to one disposal by the Director of Environments and Neighbourhoods.
2. The proposals are part of a review into the way all miscellaneous leased properties are managed on behalf of the Council.
3. The proposal fits with the Leeds Housing Strategy and shares aims with the Council Business Plan, the Leeds Strategic Plan, the Vision for Leeds and the Regeneration City Priority Plan.

Recommendations

1. That Executive Board approve:
 - a) The granting of a 21 year lease at less than best consideration of 73 properties to Unipol.
 - b) The sale of 15 of these properties to Unipol Student Homes on an individual market value basis over the next 4 years. The first of these has been declared surplus by the Director of Environments & Neighbourhoods.
 - c) The Director of Environments and Neighbourhoods to authorise future surplus declarations, for the properties identified to be sold, through the Delegated Decision process.

1 Purpose of this report

- 1.1 To inform Executive Board of the background and main issues of the proposal.

2 Background information

- 2.1 A review of all the Council's miscellaneous residential assets has been undertaken in order to increase income to the Council as well as improve the management and terms of leases on these properties.
- 2.2 At the start of the review of miscellaneous properties, there was a portfolio of 350 houses. An options appraisal methodology was developed and applied to the whole portfolio. This has allowed the Council to achieve the following outcomes:
 - 46 houses returned to the Council and refurbished within an annual major repairs programme.
 - A leaseholder forum has been established which meets quarterly and has improved relationships between the Council and leaseholders to improve the management, lease terms and income to the Council.
- 2.3 Unipol is a major stakeholder in this process having leased 73 properties from the Council for the previous 15 years. The terms of the leases have now expired and Unipol occupy the properties on periodic tenancies. The properties are managed by Unipol and tenanted by their student tenants on 12 month assured short hold tenancies.
- 2.4 The terms of the old leases were approved on former less than best value decisions and the total annual income the Council receives is detailed in appendix 2.

3 Main issues

- 3.1 The outline financial terms of the proposal and less than best considerations are detailed in appendix 2.
- 3.2 The leases are proposed to be for a term of 21 years on a fully repairing and insuring basis, with a break clause at year 10.
- 3.3 The proposed sale of 15 properties to Unipol at market value over the next 4 years. Will generate an estimated capital receipt of £2.4 million over 4 years. The first of the properties has been declared surplus. The estimated value of this property is detailed in appendix 2 and subject to further negotiations with Unipol.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 This report has formed the basis of consultation and briefings with ward members in the affected wards.
- 4.1.2 Comments received from ward members in Hyde Park and Woodhouse, where the majority of properties are have been supportive. Other comments from ward members with fewer properties affected requested more information. This has been sent explaining that it will improve the properties and assist with stability in terms of the tenancies.
- 4.1.3 Cllr Dowson has asked some detailed questions about the proposed break clause in the leases, the future use of monies from the proposed sale and about the impact of Unipol's student families on local schools. Officers will keep Ward Members informed of any of the details about leases and the future use of monies from sales through the management of the work if approved. Unipol are in contact with local schools to help resolve issues about the impact of student families.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 The proposal is considered to offer a positive impact on equality and diversity, particular in regard to community cohesion. For example, 41 of the properties are tenanted by mature student, families and couples. Many of whom are overseas and postgraduate students, who often later remain in the neighbourhoods they settle in, obtain work and careers in the Leeds area and send their children to local schools.
- 4.2.2 Additionally Unipol have their own Equality and Diversity policy which shares common themes with the Council's EDCI policy and is exemplified in their Unipol Code of Standards.

4.3 Council policies and City Priorities

- 4.3.1 The proposal fits with the Leeds Housing Strategy and shares aims with the Council Business Plan, the Leeds Strategic Plan, the Vision for Leeds and the Regeneration City Priority Plan.

4.4 Resources and value for money

- 4.4.1 The proposal will have a positive financial effect on Council business by bringing in capital receipts over 4 years; increasing annual income from leases and leveraging in investment into Council owned assets.
- 4.4.2 The human resource implications are the continued officer time needed to oversee the negotiations and manage the programme of investment.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 The properties are held under powers derived from the Housing Act 1985, and the proposed disposals fall outside the General Consents under section 25 of the Local Government Act 1988 (Local Authority Assistance for privately let housing) 2010. A specific application for the Secretary of State's consent to the proposed disposals for less than best consideration will be made.
- 4.5.2 Subject to this consent final terms of the leases and disposals will be determined by the Director of City Development in line with the Delegated Functions of the Council.
- 4.5.3 Appendix 1 of this report is a list of the addresses of the properties to be disposed. The properties are currently held on periodic tenancies and are occupied by Unipol's tenants, therefore the information is exempt from publication under Rule 10.4 (2): as it contains information, which if disclosed to the public is or would be likely to lead to the identification of an individual or individuals. The information is also exempt from publication under Rule 10.4 (3) as the terms of the disposals are subject to further negotiation and publication may prejudice those negotiations and the commercial confidentiality of financial information held by the Council and Unipol.
- 4.5.4 Appendix 2 of this report also contains information exempt under Rule 10.4 (3): and is exempt from publication by Rule 10.4 (3) as it contains information relating to the financial or business affairs of the Council and of Unipol, which, if disclosed to the public, would, or would be likely to prejudice the commercial interests of the Council and Unipol.
- 4.5.5 The report was included on the Forward Plan in July 2011 and is subject to Council call-in procedure.

4.6 Risk Management

- 4.6.1 This proposal is the preferred option and is considered to carry less risk for the Council. The process can be controlled through an already strong partnership with Unipol and the lease, sale and onward investment into the properties can be managed through a project team of Council officers, with regular highlight and exception reports to the Chief Housing Officer, the Chief Asset Management Officer and the Directors of Environments and Neighbourhoods and City Development.
- 4.6.2 Option 2, is the return of the 73 properties to the Council. This would mean the Council would need to estimate any refurbishment needs and undertake works before re-letting the properties as council homes. This option would place a capital investment risk on the Council at a time of reduction in the capital programme and

place a housing management burden onto ALMO's at a time of significant structural change.

4.6.3 Option 3, is the sale of all 73 properties on the open market. The majority of the properties are type 1 and 2 back to backs and older type larger Victorian houses already divided into houses of multiple occupation in inner city areas. The Council needs to consider that a sale of this volume and of this type of property is likely to attract interest from speculative landlords who may not prioritise positive investment and management of the properties. Additionally, that a high volume sale under auction conditions may not realise the same level of capital receipt as a controlled one to one negotiation.

5 Recommendations

5.1 That Executive Board approve:

- a) The granting of a 21 year lease at less than best consideration for 73 properties to Unipol.
- b) The sale of 15 of these properties to Unipol Student Homes on an individual market value basis over the next 4 years. The first of these has been declared surplus by the Director of Environments & Neighbourhoods.
- c) The Director of Environments and Neighbourhoods to authorise future surplus declarations, for the properties identified to be sold, through the Delegated Decision process.

6 Background documents

6.1 There are no background documents referred to in this report.